

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6983

BILL NUMBER: HB 1203

NOTE PREPARED: Feb 5, 2004

BILL AMENDED: Jan 29, 2004

SUBJECT: Coal mine reclamation permit bonds.

FIRST AUTHOR: Rep. Frenz

FIRST SPONSOR:

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill authorizes the director of the Department of Natural Resources (DNR) to (1) initiate an application for the release of a reclamation plan performance bond; and (2) require operators to withdraw from the surface coal mine reclamation bond pool under certain circumstances. The bill allows a mine operator to withdraw from the bond pool upon replacing bond pool liability with bonds acceptable under the surface coal mining and reclamation bonding law. The bill also requires certain findings and documentation for certain mine land reclamation projects funded by a governmental entity.

Effective Date: July 1, 2004.

Explanation of State Expenditures: (Revised) The bill authorizes the director of the DNR to initiate bond release. If this were done, the DNR would undertake notification and certification requirements of the permittee. The DNR would also have the authority to require an operator to replace bond pool surety with conventional surety if final release has not been obtained in a timely manner. The DNR could withdraw or suspend an operator from the bond pool if that operator did not provide conventional surety on areas to be removed from the bond pool. Also, an operator would no longer be required to keep an area in the bond pool if that operator replaced the bond pool surety with conventional surety.

When the DNR is considering a mine land reclamation project that is

- (1) at least 50% funded by a governmental entity that finances the construction through either the entity's budget or general revenue bonds or less than 50% if the construction is an approved reclamation project under Title IV of the federal Surface Mining Control and Reclamation Act of 1977;

(2) or when the level of funding for the construction will be less than 50% of the total cost because of planned coal extraction;

the DNR must determine the likelihood that coal will be mined under a surface coal mining and reclamation operations permit. The determination must consider available information, including coal reserves from existing mine maps; existing environmental conditions; all prior mining activity on or adjacent to the site; current and historical coal production in the area; any known or anticipated interest in mining the site; the likelihood that nearby mining activities might create new environmental problems; and the likelihood that nearby mining activities at the site might adversely affect nearby mining activities.

If a decision is made to proceed with the reclamation project, the DNR must determine the limits on any coal refuse, coal waste, or other coal deposits that can be extracted under the exemption and the delineation of the boundaries of the abandoned mine lands reclamation project.

DNR determinations, information taken into account in making the determinations, and the names of the persons making the determinations must be included in the abandoned mine lands reclamation case file.

For each project the DNR must characterize the site in terms of mine drainage, slide prone areas, erosion and sedimentation, vegetation, toxic materials, and hydrological balance and ensure that the reclamation project is conducted according to applicable law. The DNR must develop specific site reclamation requirements and require the contractor conducting the reclamation to provide applicable documents that authorize the extraction of coal and any payment of royalties. The contractor must obtain a surface coal mining and reclamation operations permit for any coal extracted beyond the limits of the incidental coal.

With respect to the fiscal impact, the workload of the employees of the DNR Division of Reclamation would be affected, although the addition of staff or equipment should not be required and is not anticipated. Administrative expenses for the DNR would increase; however, the DNR should be able to absorb any additional costs given its current budget and resources.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Natural Resources.

Local Agencies Affected:

Information Sources: Robert Stum, DNR Division of Reclamation, (317) 232-1562

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.